

Village of Clarksville
County of Ionia, Michigan
34-3010
Financial Statements
And Independent Auditors' Report
Year Ended February 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Clarksville	County Ionia
Audit Date 2/29/04	Opinion Date 5/11/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting System for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

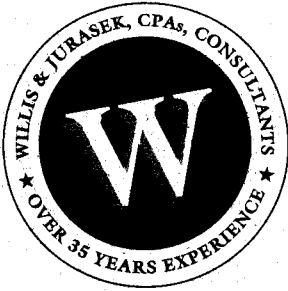
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.			
Street Address 2545 Spring Arbor Road	City Jackson	State MI	ZIP 49203
Accountant Signature <i>Willis & Jurasek, P.C.</i>		Date	

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1
Combined Balance Sheet – All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes In Fund Balance – All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual – General and Special Revenue Funds	4
Notes to Financial Statements	5 - 9
Supplemental Information:	
General Fund:	
Comparative Balance Sheets	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	11
Special Revenue Funds:	
Combining Balance Sheet	12
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	13
Major Street Fund:	
Comparative Balance Sheets	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	15
Local Street Fund:	
Comparative Balance Sheets	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	17



INDEPENDENT AUDITORS' REPORT

Village Council
Village of Clarksville
Clarksville, Michigan

We have audited the accompanying general purpose financial statements of the Village of Clarksville, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Clarksville, as of February 29, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Clarksville. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.
May 11, 2004

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Village of Clarksville
Combined Balance Sheet
All Fund Types and Account Groups
February 29, 2004

	Governmental Fund Types		Account Groups	Totals (Memorandum Only)
	General	Special Revenue	General Long-Term Debt	
<u>Assets</u>				
Cash	\$ 188,388	\$ 31,984	\$ -	\$ 220,372
Taxes receivable	4,929	-	-	4,929
Due from other governmental units	5,741	5,917	-	11,658
Amount to be provided for loan	-	-	103,485	103,485
	<u>\$ 199,058</u>	<u>\$ 37,901</u>	<u>\$ 103,485</u>	<u>\$ 340,444</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 3,080	\$ 1,089	\$ -	\$ 4,169
Loan payable	-	-	103,485	103,485
Total liabilities	<u>3,080</u>	<u>1,089</u>	<u>103,485</u>	<u>107,654</u>
Fund Balance:				
Fund balance, unreserved	195,978	36,812	-	232,790
Total fund balance	<u>195,978</u>	<u>36,812</u>	<u>-</u>	<u>232,790</u>
	<u>\$ 199,058</u>	<u>\$ 37,901</u>	<u>\$ 103,485</u>	<u>\$ 340,444</u>

See Notes to Financial Statements.

Village of Clarksville
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
Year Ended February 29, 2004

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Revenues:			
Taxes	\$ 42,671	\$ -	\$ 42,671
State revenue	40,639	31,708	72,347
Charges for services	330	-	330
Interest and rentals	3,379	235	3,614
Reimbursements and other	4,969	-	4,969
Total revenues	<u>91,988</u>	<u>31,943</u>	<u>123,931</u>
Expenditures:			
General government	53,079	-	53,079
Public works	12,265	27,935	40,200
Debt service	-	15,386	15,386
Total expenditures	<u>65,344</u>	<u>43,321</u>	<u>108,665</u>
Revenue over (under) expenditures	<u>26,644</u>	<u>(11,378)</u>	<u>15,266</u>
Other Financing Sources (Uses):			
Operating transfer in	-	12,000	12,000
Operating transfer out	(12,000)	-	(12,000)
Total other financing sources (uses)	<u>(12,000)</u>	<u>12,000</u>	<u>-</u>
Change in Fund Balance	14,644	622	15,266
Fund Balance - Beginning of Year	<u>181,334</u>	<u>36,190</u>	<u>217,524</u>
Fund Balance - End of Year	<u>\$ 195,978</u>	<u>\$ 36,812</u>	<u>\$ 232,790</u>

See Notes to Financial Statements.

Village of Clarksville
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General and Special Revenue Funds
Year Ended February 29, 2004

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
			Variance Favorable			Variance Favorable
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:						
Taxes	\$ 42,960	\$ 42,671	\$ (289)	\$ -	\$ -	\$ -
State revenue	35,040	40,639	5,599	30,000	31,708	1,708
Charges for services	324	330	6	-	-	-
Interest and rentals	4,404	3,379	(1,025)	-	235	235
Reimbursements and other	1,320	4,969	3,649	-	-	-
Total revenues	<u>84,048</u>	<u>91,988</u>	<u>7,940</u>	<u>30,000</u>	<u>31,943</u>	<u>1,943</u>
Expenditures:						
General government	72,288	53,079	19,209	-	-	-
Public works	3,960	12,265	(8,305)	22,404	27,935	(5,531)
Debt service	-	-	-	15,386	15,386	-
Total expenditures	<u>76,248</u>	<u>65,344</u>	<u>10,904</u>	<u>37,790</u>	<u>43,321</u>	<u>(5,531)</u>
Change in Fund Balance	7,800	26,644	18,844	(7,790)	(11,378)	(3,588)
Other Financing Sources (Uses):						
Operating transfer in	-	-	-	-	12,000	12,000
Operating transfer out	-	(12,000)	(12,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Change in Fund Balance	7,800	14,644	6,844	(7,790)	622	8,412
Fund Balance - Beginning of Year	<u>181,334</u>	<u>181,334</u>	<u>-</u>	<u>36,190</u>	<u>36,190</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 189,134</u>	<u>\$ 195,978</u>	<u>\$ 6,844</u>	<u>\$ 28,400</u>	<u>\$ 36,812</u>	<u>\$ 8,412</u>

See Notes to Financial Statements.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies

The Village of Clarksville was incorporated under the provisions of the Home Rule Village Act. The Village operates under a Council form of government and provides various services to its residents in many areas including public safety, community enrichment, and development and human services.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provision. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not directly in those funds.

The financial activities of the Village are recorded in separate fund and account groups categorized as follows:

Governmental Funds

General Fund – This fund is used to account for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes, state distributions, grants and charges for services.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The accrual basis of accounting is used by Nonexpendable Trust Funds. The modified accrual basis of accounting is used by all Governmental Funds, Agency Funds and Expendable Trust Funds. Revenue and other sources are recognized in the accounting period which they became susceptible to accrual - that is when they became both measurable and available to finance expenditures of the fiscal period.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

- a. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county's delinquent tax rolls.
- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Budget and Budgetary Accounting

The Village follows these procedures in establishing budgetary data reflected in the financial statements:

- a. The Village submits a proposed operating budget for the fiscal year commencing March 1st.
- b. A public hearing is conducted by the Village to obtain taxpayer comments.
- c. The budget is then legally enacted through passage of the appropriations act.
- d. The budget is adopted on the governmental activity basis.
- e. The budget for the various funds is prepared on a basis consistent with generally accepted accounting principles; however, the budget is not amended at any time during the year.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Fund Equity and Fund Balance

Fund Equity - Fund equity represents the difference between fund assets and fund liabilities. The fund equity of governmental and fiduciary funds is called "fund balance."

Fund Balance Reservations - Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use; or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for expenditure for the general purpose of the fund.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Revenues and Expenditures

Revenues - Revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Expenditures - Expenditures are reported by character. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Debt service includes both interest and principal outlays related to bonds accounted for in the General Long-Term Debt Account Group.

Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Cash and Certificates of Deposit

Deposits are carried at cost. Deposits of the Village are at two banks in the name of the Village of Clarksville. Michigan Compiled Laws, Section 129.91 authorizes the Village to deposit and invest in the accounts of Federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uncollateralized and Uninsured	<u>20,372</u>	<u>20,372</u>
Total deposits	<u>\$ 220,372</u>	<u>\$ 220,372</u>

Village of Clarksville
Notes to Financial Statements

3. Property Tax

Property taxes become a lien on the property as of July 1. Taxes are levied on July 1 and payable at that time. The Village bills and collects its own property taxes.

The Village is permitted by State statute to levy taxes of 20.00 mills for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The Village levied 10.000 mills for general governmental purposes.

4. General Long-Term Debt

A summary of general long-term debt is as follows:

	Balance <u>02/28/03</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>02/29/04</u>
Michigan Department of Transportation – Infrastructure loan; payable in annual payments of \$15,386; interest at 4%.	\$ <u>114,299</u>	\$ <u>0</u>	\$ <u>10,814</u>	\$ <u>103,485</u>

The following is a summary of principal maturities and interest requirements:

Year ending February 28,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 11,247	\$ 4,139	\$ 15,386
2006	11,696	3,690	15,386
2007	12,164	3,222	15,386
2008	12,651	2,735	15,386
2009	13,157	2,229	15,386
2010	13,683	1,703	15,386
2011	14,231	1,155	15,386
2012	<u>14,656</u>	<u>586</u>	<u>15,242</u>
Total	\$ <u>103,485</u>	\$ <u>19,459</u>	\$ <u>122,944</u>

5. Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity level. The approved budgets of the Village for these budgetary funds were adopted on an activity level basis.

At this level, the Village has incurred certain expenditures in budgetary funds during the fiscal year ended February 29, 2004, which were in excess of the amounts appropriated and are disclosed within the financial statements.

Village of Clarksville
Notes to Financial Statements

6. Sewage Disposal System

The Village of Clarksville, in conjunction with the Township of Boston and the Township of Campbell, constructed a sewer system. The system is designated as "Ionia County Sewage Disposal System (Clarksville-Morrison Lake)".

The Clarksville - Morrison Lake Sewer Authority was formed by the three governmental units in order to operate and maintain the sewage disposal system. The authority is acting in an agency capacity on behalf of these three governmental units.

Supplemental Information

Village of Clarksville
General Fund
Comparative Balance Sheets
February 29, 2004 and February 28, 2003

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash	\$ 70,039	\$ 66,554
Certificate of deposit	118,349	115,588
Tax receivable	4,929	4,110
Due from other governmental units	5,741	-
	<u>\$ 199,058</u>	<u>\$ 186,252</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 3,080	\$ 4,918
Total liabilities	<u>3,080</u>	<u>4,918</u>
 Fund Balance:		
Unreserved	195,978	181,334
Total fund balance	<u>195,978</u>	<u>181,334</u>
	<u>\$ 199,058</u>	<u>\$ 186,252</u>

Village of Clarksville
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended February 29, 2004
(With Comparative Actual Amounts for Year Ended February 28, 2003)

	<u>Budget</u>	<u>2004 Actual</u>	<u>Variance</u>	<u>2003 Actual</u>
Revenues:				
Taxes	\$ 42,960	\$ 42,671	\$ (289)	\$ 35,170
State revenue	35,040	40,639	5,599	38,198
Charges for services	324	330	6	475
Interest & rent	4,404	3,379	(1,025)	4,070
Reimbursements and other	1,320	4,969	3,649	8,920
Total revenues	<u>84,048</u>	<u>91,988</u>	<u>7,940</u>	<u>86,833</u>
Expenditures:				
General government				
Legislative board	8,500	8,087	413	5,817
Executive	1,500	765	735	561
Election	-	553	(553)	678
Clerk	4,000	3,881	119	4,014
Treasurer	4,000	3,401	599	4,386
Village Hall	12,240	9,777	2,463	7,031
Other	42,048	26,615	15,433	34,093
Total general government	<u>72,288</u>	<u>53,079</u>	<u>19,209</u>	<u>56,580</u>
Library service	-	-	-	-
Public Works	<u>3,960</u>	<u>12,265</u>	<u>(8,305)</u>	<u>6,306</u>
Capital Outlay	-	-	-	<u>19,780</u>
Total expenditures	<u>76,248</u>	<u>65,344</u>	<u>10,904</u>	<u>82,666</u>
Revenue over (under) expenditures	7,800	26,644	18,844	4,167
Other Financing Sources (Uses):				
Operating transfer out	-	(12,000)	(12,000)	-
Change in Fund Balance	7,800	14,644	6,844	4,167
Fund Balance - Beginning of Year	<u>181,334</u>	<u>181,334</u>	<u>-</u>	<u>177,167</u>
Fund Balance - End of Year	<u>\$ 189,134</u>	<u>\$ 195,978</u>	<u>\$ 6,844</u>	<u>\$ 181,334</u>

Village of Clarksville
Special Revenue Funds
Combining Balance Sheet
February 29, 2004

(With Comparative Actual Amounts for the Year Ended February 28, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Total Current Year</u>	<u>Actual</u>
<u>Assets</u>				
Cash	\$ 18,658	\$ 13,326	\$ 31,984	\$ 30,497
Due from other governmental units	4,753	1,164	5,917	5,682
	<u>\$ 23,411</u>	<u>\$ 14,490</u>	<u>\$ 37,901</u>	<u>\$ 36,179</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 907	\$ 182	\$ 1,089	\$ -
Total liabilities	<u>907</u>	<u>182</u>	<u>\$ 1,089</u>	<u>-</u>
Fund Balance				
Unreserved-undesignated	22,504	14,308	36,812	36,179
	<u>\$ 23,411</u>	<u>\$ 14,490</u>	<u>\$ 37,901</u>	<u>\$ 36,179</u>

Village of Clarksville
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended February 29, 2004
(With Comparative Actual Amounts for the Year Ended February 28, 2003)

	2004			2003
	Major Street	Local Street	Total Current Year	Actual
Revenues:				
State grants	\$ 25,607	\$ 6,101	\$ 31,708	\$ 30,138
Interest earned	187	48	235	376
	<u>25,794</u>	<u>6,149</u>	<u>31,943</u>	<u>30,514</u>
Expenditures:				
Highways and streets	18,892	9,043	27,935	15,117
Debt service	15,386	-	15,386	15,386
Total expenditures	<u>34,278</u>	<u>9,043</u>	<u>43,321</u>	<u>30,503</u>
Excess of Revenues Over (Under) Expenditures	(8,484)	(2,894)	(11,378)	11
Other Financing Sources:				
Operating transfer in	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Change in Fund Balances	(8,484)	9,106	622	11
Fund Balance - Beginning of Year	<u>30,988</u>	<u>5,202</u>	<u>36,190</u>	<u>36,179</u>
Fund Balance - End of Year	<u>\$ 22,504</u>	<u>\$ 14,308</u>	<u>\$ 36,812</u>	<u>\$ 36,190</u>

Village of Clarksville
Major Street Fund
Comparative Balance Sheets
February 29, 2004 and February 28, 2003

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash	\$ 18,658	\$ 26,380
Due from other governmental units	4,753	4,608
	<u>\$ 23,411</u>	<u>\$ 30,988</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 907	\$ -
Total liabilities	<u>907</u>	<u>-</u>
 Fund Balance:		
Unreserved	22,504	30,988
Total fund balance	<u>22,504</u>	<u>30,988</u>
	<u>\$ 23,411</u>	<u>\$ 30,988</u>

Village of Clarksville
Major Street Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended February 29, 2004
(With Comparative Actual Amounts for the Year Ended February 28, 2003)

	<u>2004</u>		<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			<u>Actual</u>
State grants	\$ 24,000	\$ 25,607	\$ 1,607
Interest earned	-	187	187
	<u>24,000</u>	<u>25,794</u>	<u>1,794</u>
Expenditures:			
Maintenance:			
Salaries	-	-	-
Supplies	-	-	-
Contracted services	9,624	9,837	(213)
Total maintenance	<u>9,624</u>	<u>9,837</u>	<u>(213)</u>
Winter maintenance			
Contracted services	<u>7,800</u>	<u>9,055</u>	<u>(1,255)</u>
Debt service	<u>15,386</u>	<u>15,386</u>	<u>-</u>
Total expenditures	<u>32,810</u>	<u>34,278</u>	<u>(1,468)</u>
Change in Fund Balance	(8,810)	(8,484)	326
Fund Balance - Beginning of Year	<u>30,988</u>	<u>30,988</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 22,178</u>	<u>\$ 22,504</u>	<u>\$ 326</u>

Village of Clarksville
Local Street Fund
Comparative Balance Sheets
February 29, 2004 and February 28, 2003

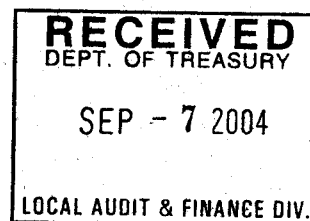
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash	\$ 13,326	\$ 4,164
Due from other governmental units	1,164	1,038
	<u>\$ 14,490</u>	<u>\$ 5,202</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 182	\$ -
Total liabilities	<u>182</u>	<u>-</u>
 Fund Balance:		
Unreserved	14,308	5,202
Total fund balance	<u>14,308</u>	<u>5,202</u>
	<u>\$ 14,490</u>	<u>\$ 5,202</u>

Village of Clarksville
Local Street
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended February 29, 2004
(With Comparative Actual Amounts for the Year Ended February 28, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
State grants	\$ 6,000	\$ 6,101	\$ 101	\$ 5,539
Interest earned	-	48	48	55
	<u>6,000</u>	<u>6,149</u>	<u>149</u>	<u>5,594</u>
Expenditures:				
Maintenance				
Supplies	-	-	-	82
Contracted services	4,780	8,841	(4,061)	7,480
Total maintenance	<u>4,780</u>	<u>8,841</u>	<u>(4,061)</u>	<u>7,562</u>
Winter maintenance				
Contracted services	200	202	(2)	981
Total expenditures	<u>4,980</u>	<u>9,043</u>	<u>(4,063)</u>	<u>8,543</u>
Excess of Revenues Over (Under) Expenditures	1,020	(2,894)	(3,914)	(2,949)
Other Financing Sources:				
Operating transfer in	-	12,000	12,000	-
Change in Fund Balances	1,020	9,106	8,086	(2,949)
Fund Balance - Beginning of Year	<u>5,202</u>	<u>5,202</u>	-	<u>8,151</u>
Fund Balance - End of Year	<u>\$ 6,222</u>	<u>\$ 14,308</u>	<u>\$ 8,086</u>	<u>\$ 5,202</u>



May 11, 2004



To the Governing Body
of the Village of Clarksville

We have audited the financial statements of the Village of Clarksville for the year ended February 29, 2004, and have issued our report thereon dated May 11, 2004. In planning and performing our audit of the general-purpose financial statements of the Village, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control.

The Management of the Village is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Village taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-mail: willis@willispc.com
Web site: www.willispc.com

Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comment and Recommendations

Segregation of Duties:

Substantially all of the accounting and financial management functions of the Village are performed by two individuals, the Village Clerk and the Village Treasurer, both of which are elected positions. While the size and resources of the Village are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

Government Accounting Standards Board – New Reporting Model

The Governmental Accounting Standards Board has recently issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The new reporting model will significantly impact government's financial statement presentation. Under the new reporting model, general-purpose governments must present the following basic financial statements and required supplementary information:

- Management's discussion and analysis (MD&A).
- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.
- Required supplementary information, including budgetary comparison schedules and other data required by previous GASB pronouncements.

The MD&A is a narrative report prepared in an easy-to-read format by the government's financial manager. It should:

- Introduce the basic financial statements.
- Provide an analytical overview of the government's financial manager's knowledge of the transaction, event, and conditions reflected in the financial report and the fiscal policies that control the government's operations.

GASB No. 34 requires MD&A to include, at a minimum:

- A brief discussion of the relationships of the basic financial statements to each other and the major differences in the information provided in each.
- A comparison in condensed form of information presented in the government-wide financial statements for the current and prior year.
- An analysis of significant changes that occurred in individual funds and any limitations that might affect the availability of fund resources in the future.
- An analysis of significant budget variances (original vs. final budget and final budget vs. actual results) for the general fund or its equivalent, including reasons for those variances that may affect future services or liquidity.
- A summary of significant capital asset and long-term debt activity with a discussion of commitments and limitations that may affect future financing of planned facilities or services.
- A description of facts, conditions, or decisions of which management was aware on or before the audit report date that are expected to have a significant impact on financial position or results of operations after the reporting date.

The Local Audit Division of the Treasury Department of the State of Michigan has determined that omission of the MD & A, the Government-Wide Statements and Infrastructure Reporting will not result in any sanction or in a request for remediation.

The implementation date for the new reporting model is in phases depending on the government's revenues. For the Village, the new standard will be effective for the year ending February 28, 2005. The Village should consider now which of the areas of the new standard need to be addressed such as fixed assets and determine the areas that could be taken care of before the end of the next fiscal year.

Audit Report Distribution

We have mailed the appropriate copies of the audit reports to the State of Michigan. No further filing is required of you for this purpose.

This information is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Village and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.